

- About half of the forecasted shortfall relates to forecasted decrease in net profit receipts \$36.7million versus \$43.1 million
- First two quarters of FY2010 experienced double digit decreases relative to the same period of FY2009
 - Of concern because profits usually lead the way out of a recovery
 - Unlikely to see growth in wages until profits recover
- Employee withholdings down \$2.3 million from original budget
- Insurance premiums down \$50.9 million from original budget
- The remaining forecasted shortfalls based on flat-growth for the last two quarters of FY2010
- Real and Personal Property Taxes down \$1.1 million from original budget
- Building Permits down \$900,000 from original budget
- Investment Income down \$750,000 from original budget
- Few Positive areas
 - Property Taxes Bank Deposits forecasted to exceed budget by \$800,000
 - Parking Fines expected to exceed budget by \$350,000
 - EMS Fees are forecasted to be \$600,000 above budget
 - Metro Corrections Revenue for State Inmates is forecasted to be \$370,000 above budget

Office of Management and Budget will continue to monitor and forecast the General Fund Revenue throughout the year and provide the Council with another update after Metro concludes its third quarter.

Ms. Driskell reviewed Expenditures. To meet the revenue shortfall, the Mayor along with his management team and Directors, had embarked on a course to manage expenditures downward. When the Bond Issue was brought to the Council, revenues were anticipated to be soft and were still being analyzed to what extent those revenues would project downward. The Directors have been asked to manage through the down-turn and to use a variety of vehicles available in the management process. Some would be as follows:

- Looking at Departments positions and continue to hold positions vacant if it did not affect services levels
- Managing non-scheduled overtime
 - Public Works and Assets overtime in weather related events
 - Equipment needing additional maintenance
- Discretionary expenditures in terms of training and travel
- Fuel usage
- Monthly review with agencies in order to meet the revenue reduction of 2.5% required for a balanced budget

At this time, there is no anticipation for a mid-year adjustment ordinance.

The committee requested Office of Management and Budget to return to them and provide detailed information on Investment Income Interest, Security and Liquidity, and Long Term/Short Term Investments.

The committee requested status information FEMA funds receipts for the 3 storms which occurred in 2009.

Ms. Driskell reviewed the Capital Projects Status Report and an Update on the current Bond Issuance. It was issued in November 2009 and a portion of that was to refund the \$44 million Bond Anticipation note and has been almost completely expended. Of the additional \$62 million of new funds in Capital Projects, approximately \$20 million has been expended with \$6 million encumbered. Ted Pullen, Public Works and Assets, was available to discuss concerns on individual projects. Brief description was given on projects concerning River Road, Metro Street Improvements and Curb Replacements, and Marriott Bond.

The committee requested a completed capital projects report. Ms. Driskell said she would forward one to the members of the committee.

2--[Firefighter Settlement](#) – Office of Management and Budget

Discussion: Jane Driskell updated the committee on the process of funding the firefighter settlement. In addition to the wages paid in the settlement, Metro Government is required to pay associated employer costs. The process is on-going in determining the costs that will affect the employer associated costs.

On March 31st, the second payment is required to be made in the approximate amount of \$14.3 million and third/final payment is required to be made in mid-July for \$14.9 million. Considering the wages section of the settlement, the Office of Management & Budget has been working with the Department of Human Resources and Information Technology to adjust the payroll systems to assist in calculating the tax obligations. They are in the final stages of set-up in the payroll system, but there are two major employer associated costs required; the first is the tax calculation - payroll taxes for State and Federal Taxes which Metro Government is required to withhold and/or pay on behalf of Metro employees; as well as Social Security and Medicare Taxes from all amounts identified as wages in the settlement. The complicating factors are some of the firefighters were employed at a time when they were exempt from paying Social Security tax and some of the hazardous duty employees were hired before April 1, 1986 and were exempt from paying the Medicare portion of the tax. Not everyone is treated similarly. In

addition, the firefighters have asked for the opportunity to participate in deferred compensation. This will affect the employer costs calculations. Many of the firefighters wish to contribute a portion of the wages to deferred comp which are pre-tax and would ultimately affect the employer associated costs of the settlement. Human Resources is taking the lead in working with the firefighters attorney to develop a process.

If they apply the rate for the wages in the year they were earned, as a result of the settlement of the overtime hours per each individual employee and apply the applicable rate from the retirement system, it is equal to about \$5.2 million. The pension obligation is known. Payroll taxes are being discussed, and they are close to obtaining information on who would not be required to pay the Medicare portion on the taxes. The outlying costs to proceed in planning are another \$2 million. Metro Government is looking at a little over \$7 million in additional costs. In addition to the outstanding wage portion, they are suggesting a proposal to bond about \$36 million. They are working with the financial advisor to develop proposals for the appropriate financing mechanism which could be judgment bonds. These bonds are considered operating capital in the bond world which makes them taxable and will allow for a lesser term of bond.

Some clarity on this and the deferred comp issues should be forthcoming.

The Administration would like to issue the bonds as close to the due date of the second payment. They do not anticipate having enough time to come to the Council to review the options with the Mayor prior to that. The ordinance that was passed has a reimbursement clause that would allow Metro to make the required payment on March 31st. Metro Government can be reimbursed once the bond proceeds are realized.

Kevin Moore, Controller for Management & Budget, discussed the tax requirement of payroll. The employee's portion of the taxes would be withheld and sent to the IRS. Metro Government would only pay their required portion. The \$2 million is an estimated amount and would be adjusted, hopefully, down once the determinations have been made on the outstanding wage portion, taxes and deferred comp.

The suggestion was made by CM Downard to possibly utilize the bond funds for Museum Plaza, since the project has been delayed for approximately three years, as a substitute for payment rather than the bond. These are in the schedule, have not been issued and have not budgeted the debt service for the current year. Metro has not related the two in their discussion.

CM Heiner wondered if a portion of the settlement money could come out of the City's reserve fund without affecting the city's bond rating. The desire is to keep the bond amount to a minimum. CM King stated that a Bond Ratings analyst is scheduled to come to the council in early March prior to the issuance of any bond. Ms. Driskell stated the department was working with GFOA (**Government Finance Officers Association**) to determine best practices in this case. On the advice of the city's financial analyst, Metro was trying to stay away from bond rating analysts that would benefit from our business. They are open to other groups that might give that advice.

CM Downard suggested an end consumer that might be found and Metro would try to find one who is independent. The chair suggested they proceed with this request.

Concern was voiced on the possibility of finding an end consumer to the Municipal Bonds, like a Bond House who may these bonds and takes the Ratings into account and performs their own independent research. There are groups that can be approached and Office of Management & Budget committed to work with the committee and Budget Analyst to determine other sources.

Pending Legislation

3--[O-40-02-10 AN ORDINANCE AMENDING ORDINANCE NO. 90, SERIES 2009, AS AMENDED BY ORDINANCE NO. 173, SERIES 2009, AND AMENDING ORDINANCE NO. 112, SERIES 2006 RELATING TO THE CAPITAL BUDGETS FOR FISCAL YEARS 2009-10 AND 2006-07 RESPECTIVELY, FOR THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT BY TRANSFERRING \\$12,500 OF CAPITAL CUMULATIVE RESERVE FUNDS RELATED TO THE MSD/ALGONQUIN PARKWAY PROJECT TO THE NEIGHBORHOOD PLANS PROJECT UNDER THE ADMINISTRATION OF CODES & REGULATIONS.](#)

Status:-In-Committee

Committee:-Budget

Primary Sponsor:-George Unseld

Motion to approve made by Kelly Downard and seconded by Judy Green

Discussion: No discussion was held on the item.

The ordinance was approved.

VOTING RESULTS - For: 9; Against: 0; Abstain: 0; Absent: 1

For: Judy Green, Cheri Bryant Hamilton, Kenneth C. Fleming, Jim King, Kevin Kramer, Rick Blackwell, Vicki Aubrey Welch, Kelly Downard, Hal Heiner

Against: (None)

Abstain: (None)

Absent: Mary C. Woolridge

The item was sent to **CONSENT CALENDAR**.

4--[R-23-01-10 A RESOLUTION PERTAINING TO THE REVIEW OF FUTURE PAYMENT OF DUES TO THE KENTUCKY LEAGUE OF CITIES](#)

Status:-In Committee - Tabled

Committee:-Budget

Primary Sponsor:-Kelly Downard

Motion to approve untable made by Judy Green and seconded by Hal Heiner. Without objection, the item was untabled.

Discussion: CM Downard stated the item was previously tabled in order to make an appropriate amendment to include our participation in the Kentucky Association of County Officials. He reviewed the copy emailed to the committee members. The changes were:

- Adds a 2nd Whereas - State Auditor Crit Luallen has audited the Kentucky Association of County Officials (KACo) and found excessive spending, weak procedures and inadequate oversight; and
- In the 4th Whereas - Louisville Metro Government is a long standing member of the Kentucky League of Cities and the Kentucky Association of County Officials; and
- In the 5th Whereas - Findings by the Office of the State Auditor suggest that KLC and KACo each have has excessively spent member funds and improperly used KLC funds for items unrelated to their mission; and
- In Section 1 - **Section 1.** The Louisville Metro Council would like to review future

payment of dues to the Kentucky League of Cities and Kentucky Association of

County Officials.

- In Section 2 - The Louisville Metro Council calls for a refund of half of Louisville Metro's dues for the previous three years, and a significant reduction in membership dues for KLC and KACo memberships in subsequent years in light of the findings in the State Auditor's 2009 reports ~~on~~ of KLC and KACo. This same action should be taken for all member cities.
- In Section 3 - The Louisville Metro Council calls on KLC and KACo to enact policies to follow the same open records and open meeting laws that the member municipalities of this Commonwealth are required to follow.
- In Section 4 - The Louisville Metro Council hereby supports and encourages efforts made by the General Assembly for the Commonwealth of Kentucky to require KLC and KACo to follow the same open records and open meeting laws that are required for municipalities.
- Adds a Section 6 - The Louisville Metro Council calls upon the KACo to report to the Louisville Metro Council, and to all member cities, how each of the 40 findings of the State Auditor have been addressed and corrected by the KACo.

Motion to amend as read made by Kelly Downard and seconded by Hal Heiner. Without objection, the amendment was approved.

CM Downard further explained that another amendment needed to be made. The State Legislature has already passed an ordinance, the House and the Senate both, but does not believe it has gotten to the Governor yet. They are suggesting that both these organizations have open meetings and open records, as well as enact policies for Ethics. He requested the changes as read:

- In Section 1 – add “before they are paid” at the end of the sentence.
- In Section 2 – add “and counties” at the end of the sentence.
- In Section 3 – add “We understand a new state law may require this action”

Motion to amend as read made by Kelly Downard and seconded by Hal Heiner.

Metro Council approves the Budget which includes dues for the organizations. The dues have been paid for the current fiscal year – KLC being paid by Metro Council's Budget and KACo being paid by the Mayor's Office Budget. Since this is so, Section 1 is moot, but for future Fiscal Years, the Metro Council has the authority to control the payments to the organizations through the Budget Review process.

Discussion was heard on whether or not these entities should refund half of 3 years worth of association dues. The total amount for the 3 year partial payment is \$38,500.

Motion to amend to remove Section 1 and renumber the remaining Sections made by Jim King and seconded by Kelly Downard. Without objection, the amendment was approved.

CM Downard mentioned he had spoken to the Chairman of the Board to KLC and stated he was committed to correcting the problems they had but did not commit the return of funds and he would take the resolution to the Board of Directors. He would respond on the actions of the Board. KACo has received communication but has not yet responded.

Any actions of the Metro Council would not affect the membership to KLC or KACo. The bulk of the resources KLC collects are from Insurance Policies and Metro Government does not carry any policies with KLC.

CW Green stated she did not feel there was benefit to try to recoup the membership dues.

Motion to amend Section 2 to remove “calls for a refund of half of Louisville Metro’s dues for the previous three years, and” made by Judy Green and seconded by Cheri Bryant Hamilton.

Disappointment was voiced on the expenditure of funds.

Encouraged of reduction in membership dues and better accountability of operations.

By roll call vote, the motion Failed

VOTING RESULTS - For: 3; Against: 3; Abstain: 0; Absent: 1; Present: 1

For: Judy Green, Cheri Bryant Hamilton, Vicki Aubrey Welch

Against: Jim King, Kelly Downard, Hal Heiner

Abstain: (None)

Absent: Mary C. Woolridge, Ken Fleming

Present: Kevin Kramer

By voice vote, the resolution as amended was approved.

This item was sent to **OLD BUSINESS AS AMENDED.**

5--O-204-12-09 AN ORDINANCE APPROVING THE SECOND AND THIRD PAYMENTS OF FOURTEEN MILLION THREE HUNDRED THOUSAND (\$14,300,000) DOLLARS PLUS ASSOCIATED EMPLOYER COSTS BY MARCH 31, 2010 AND FOURTEEN MILLION NINE HUNDRED THOUSAND (\$14,900,000) DOLLARS PLUS ASSOCIATED EMPLOYER COSTS BY JULY 15, 2010, SUCH AMOUNTS TO BE FUNDED THROUGH CURRENT RESOURCES INCLUDING BUT NOT LIMITED TO UNRESERVED GENERAL FUND BALANCE, SUCH PAYMENTS ARE PART OF THE A FORTY-FIVE MILLION (\$45,000,000) DOLLAR TENTATIVE SETTLEMENT OF LITIGATION WITH EIGHT HUNDRED THIRTY-FOUR (834) PLAINTIFFS, CURRENT AND FORMER MEMBERS OF THE LOUISVILLE FIRE DEPARTMENT, FOR OVERTIME DUE ON LUMP SUM ALLOWANCES FROM 1985 THROUGH 2008.

Status:-In Committee - Held

Committee:-Budget

Primary Sponsor:-Jon Ackerson

This item **REMAINED HELD IN COMMITTEE.**

Without objection the meeting adjourned at 6:53PM

***NOTE: Items sent to the Consent Calendar or Old Business will be heard before the full Council at the Metro Council Meeting on February 25, 2010.**

KLP